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GOVERNMENT AND TRANSPORTATION

by

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The relationship between Government and transportation has been a very close one throughout the whole of recorded history. If you were to go back to Assyrian times, when Babylon was the center of the enlightened world, you would find that the Assyrian government concerned itself actively with the construction of highways to make Babylon commercially accessible and to make possible the movement of troops into outlying areas. If you were to re-examine the story of Greece and Rome, you would find that both interested themselves actively in the problems of transportation—in the provision of transportation adequate to meet their needs in that far-off time. We are told that, as early as 200 B. C., Rome had built some 48,500 miles of highways to make Rome accessible to the commerce of the outlying areas, and likewise to provide for the movement of troops into those areas—and this mileage of constructed highways in the Roman Empire increased steadily as the Empire extended its boundaries. Charlemagne interested himself in highway construction. In China at one time we are told that they had as much as 250,000 miles of canals to supplement the wholly inadequate land transportation which was available.

And so we might continue through modern times, showing the interest of government in transportation. But the interest of government in transportation

has not been wholly in promoting or providing transportation facilities. During the long period through which government has interested itself in transportation both for commercial and military reasons, we find that government was also interesting itself in the regulation or control of transportation. In both the common and statutory law of this country we have followed lines developed in the English common law in no small measure. This common law control of transportation developed in England centuries ago and, in the years since the acceptance of English common law in this country, we have developed our own principles and extended the scope of regulation.

Of the relationship between government and transportation in the United States through the years, there are two major aspects, promotional and regulatory, with a third lesser one, the fiscal. In the early part of the 19th century, the Federal government interested itself in the construction of the so-called National Pike, or Cumberland Road. Indeed, that was one of the first instances of Federal aid to transportation. In the years following the westward construction of the National Pike, the Federal Government interested itself little, however, in the development of highways until the present century. But, beginning in 1916, with the Federal Aid Highway Act of that year, the Federal government has over the years appropriated very considerable sums to encourage highway development. In 1941 the Bureau of Investigation and Research estimated that the Federal government had contributed to the development of highways to the extent of some \$7.0 billion. Since 1944, through the successive Federal Highway Acts, we have appropriated approximately \$5.5 billion in addition. Thus far the Federal Government has contributed to the construction of highways, therefore, a minimum of \$12.5 billion.

To highway construction then, very considerable

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sums of Federal monies have been devoted, and it is clear the program is regarded as a continuing one. Indeed, there is a strong pressure to increase the Federal appropriations to highway aid. It is interesting to note that the scope of Federal aid to highway construction has been extended through the years, just as appropriations have increased. Initially, the idea was to provide Federal monies only to aid in building an inter-state system of highways. Then, because of pressure from the states, monies were made available not only to inter-state highways, but also to what might be termed farm-to-market roads, and finally the urban areas got into the act. Indeed, since 1944 all Federal appropriations for highway construction have been divided on a definite basis among those three types of highways—45% to what might be termed the original Federal Aid highways, 30% to secondary or farm-to-market roads, and 25% to urban highway construction.

Water transportation at an early date benefited from Federal Aid. The first Rivers and Harbors Act was passed by the Congress in 1823. It has been estimated that, in the years since the passage of that Act, the Federal Government has appropriated a total of some \$3.5 billion for rivers and harbors, as well as channels to serve points located near our navigable waters. In addition to that, state and local governments have expended very considerable sums. It is estimated that state and local governments, including the State of New York, have expended some \$500 million: indeed, the State of New York alone has expended about \$300 million on the construction of the Erie Canal and the New York Barge Canal, its successor. Beyond these sums, perhaps another billion dollars has been spent by local authorities on facilities to meet the needs of water transport.

Air transportation has been supported actively and generously by Federal funds. Air transportation benefits from Federal appropriations for airways; it benefits from Federal appropriations for airports; it has benefited very materially through airmail payments; and, in addition to Federal outlays, there have been considerable sums spent by state and local governments on airports. As nearly as can be estimated from data available, commercial air transportation in the United States has, in the years since 1927, benefited by perhaps as much as \$2 billion from Federal, state, and local governmental agencies.

This problem of airmail subsidy has been actively before the public in the last few years. Within the last two years the Civil Aeronautics Board has endeavored to separate payments for service rendered and subsidy to the air lines. For the years 1951 through 1955, the Civil Aeronautics Board estimates that, of the total payment made to the do-

mestic airlines for handling the mail, in excess of \$107 million was in the nature of subsidy or public aid.

Rail transport has also benefited through public aid. Professor Ripley, writing a number of years ago when the facts regarding public aid to railways were more clearly at hand than today, estimated that the states provided aids in various forms in the amount of some \$228 million and he estimated that local governments increased that sum by an additional \$300 million. Beyond that, of course, the railways received extensive grants of land. The State of Texas, in which there never was any public land in the sense of Federal land, gave to aid railway building in that state some 32 million acres of land. The Federal Government gave to the railroads approximately 130 million acres of land. Based upon the value of the lands at the time they were given, which was something less than a dollar an acre, the land-grant aid to the railways amounted to about \$150 million.

The railways have benefited from Federal, state, and local aid to the extent of perhaps \$750 million. Here we have an offset, however, which is true of no other form of transportation that has been fos-

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tered by our government. This offset was through reduced rates given to the government by all land-grant railways and by certain others that competed with the land-grant lines. Up to 1946, when that particular provision was abrogated by the so-called Boren Act, recovery by the Federal government was somewhere between \$1.1 billion and \$1.25 billion.

In summary for purposes of comparison, Federal aid to highways in the years to date totals about \$12.5 billion, Federal aid to domestic water about \$3.0 billion, to domestic air about \$2.0 billion, and all forms of public aid to railways some \$750 million. To one form of transportation nothing—the pipelines. In fairness it might be said that Federal aid to railways has long since ceased, but that aids to highway, domestic air, and domestic water transportation continue, even increase.

Regulation by the Federal government began in 1887 in the United States with the passage of the so-called Interstate Commerce Act which imposed regulation upon the railways only and upon those water lines that joined with the railways in joint rates. Initial Federal regulation, because of laws that were perhaps inexpertly drawn and because of adverse judicial decisions from an antagonistic court, was of very little consequence, however; effective control dates from the passage of the Hepburn and the Mann-Elkins Acts in 1906 and 1910. This effective regulation of the railways came only after a bitter struggle between the railways on the one hand and the public on the other: the railways were determined that they should not be subjected to public domination; the public was equally determined that railways should be regulated in public interest. It is not surprising, then, that in the Hepburn and in the Mann-Elkins Acts we find that the regulatory provisions were essentially restrictive and punitive in character.

Indeed, so restrictive and punitive in character were regulatory provisions at this time that students in the field of transportation became concerned with the problem. About 1915, therefore, there was created by Senate and House action the so-called Newlands Committee, a joint committee to investigate the transportation problem which was at that time, of course, the railway problem. The Newlands Committee held extensive hearings, but the United States became involved in World War I before the Committee was able to complete its studies. So, while the evidence gathered during the hearings was available, no recommendations were made by the Committee.

In the year 1919, after President Wilson had indicated his determination to return the railways to private operation, a great number of plans for the solution of the railway problem were offered. Out of these plans came ultimately the Transportation

Act of 1920, this act representing a sharp break with regulatory policies in the past. Indeed, many have spoken of the Transportation Act of 1920 as the first step toward the constructive regulation of transportation, as against earlier restrictive or punitive controls.

The next major step in the development of regulation of transportation came with the passage of the Motor Carrier Act of 1935. Many evils had developed as a consequence of unrestricted and unregulated interstate motor transportation. To curb those evils the Interstate Commerce Commission felt that some measure of Federal regulation was essential, and the Motor Carrier Act of 1935 was passed in response to the realization of that need by the Congress.

A third major step was taken in the passage of the Civil Aeronautics Act of 1938. There was sharp opposition by the railways to the establishment of public regulation of railways. The motor carrier industry was divided on the subject at the time of the passage of the Motor Carrier Act. It is an interesting fact that the established air lines in 1938 were, however, almost without exception in favor of the establishment of Federal regulation of air transportation: they realized that evils had developed in early years because of the absence of regulation in the rail and highway fields. Furthermore, the established air lines were hoping, through the operation of the "Grandfather Clause," to be "frozen in" upon the routes which they were then serving, and thus to be protected from unrestricted competition over those particular routes.

The fourth step taken in the development of comprehensive regulation was the establishment of regulatory control over domestic water transportation, inland and coastwise, such control being lodged with the Interstate Commerce Commission. Here again was found a division of opinion: the established water lines, particularly coastwise and inter-coastal, were eager to have regulatory controls imposed, but the independents were not. River operators were more or less indifferent. This, however, should be said concerning the establishment of regulatory control over water transportation: because of the exceptions granted under the Act of 1940, only a small part of the traffic moving by water along the coast, upon our rivers, and upon the Great Lakes is today subject to regulation.

The final step taken in regulation was the passage in 1942 of the Freight Forwarder Act. So today the air lines are regulated by the Civil Aeronautics Board under the Civil Aeronautics Act; the Interstate Commerce Commission, under parts I, II, III, and IV of the Interstate Commerce Act, regulates railways, pipe lines, highway transport, domestic water transport, freight forwarders, and



JANUARY ATLANTA AREA ECONOMIC INDICATORS

ITEM	January 1954	December 1953	% Change	January 1953	% Change
EMPLOYMENT					
Job Insurance (Unemployment) Payments	\$291,456	\$272,336	+7.0	\$154,125	+89.1
Total Non-Agricultural Employment ----	297,650	303,050	-1.8	292,200	+1.9
Manufacturing Employment -----	78,650	78,950	-0.4	76,500	+2.8
Average Weekly Earnings, Factory Workers -----	\$65.69	\$62.62	+4.9	\$60.24	+9.0
Average Weekly Hours, Factory Workers	40.8	40.4	+1.0	40.7	+0.2
Number Help Wanted Ads -----	6,829	5,023	+36.0	9,748	-29.9
CONSTRUCTION					
Number Building Permits City of Atlanta	762	512	+48.8	832	-8.4
Value Building Permits City of Atlanta--	\$3,417,465	\$3,204,531	+6.6	\$5,708,105	-40.1
Employees in Contract Construction ----	14,200	14,700	-3.4	12,950	+9.7
FINANCIAL					
Bank Debits (Millions) -----	\$1,190.2	\$1,358.7	-12.4	\$1,166.3	+2.0
Total Deposits (Millions) End of Period --	\$954.5	\$994.9	-4.1	\$949.3	+0.5
POSTAL[§]					
Postal Receipts -----	\$1,294,081	\$1,958,059	-33.9	\$1,162,097	+11.4
Poundage 2nd Class Mail -----	1,145,229	1,238,518	-7.5	1,082,483	+5.8
Postal Savings to Credit Depositors, End of Period -----	\$2,997,405	\$3,025,951	-0.9	\$3,279,511	-8.6
OTHER					
Department Store Sales Index (Adjusted) (1947-49=100) -----	121	135	-10.4	124	-2.4
Department Store Stocks -----	N. A.	N. A.	+3.0	N. A.	-4.0
Retail Food Price Index (1947-49=100) --	113.2	112.7	+0.4	112.5	+0.6
Number Telephones in Service -----	244,332	243,515	+0.3	234,423	+4.2

[§]City of Atlanta only.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales and Stocks Indexes: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.



January, 1953 and 1954

1954	1953	ITEM	PER CENT CHANGE
\$291,456	\$154,125	Job Insurance Payments -----	+89.1
\$1,294,081	\$1,162,097	Postal Receipts, Atlanta Post Office	+11.4
14,200	12,950	No. Construction Employees ----	+9.7
\$65.69	\$60.24	Average Weekly Earnings, Factory Workers -----	+9.0
1,145,229	1,082,483	Poundage 2nd Class Mail Atlanta Post Office -----	+5.8
244,332	234,423	Telephones in Service -----	+4.2
78,650	76,500	No. Manufacturing Employees ---	+2.8
\$1,190.2	\$1,166.3	Bank Debits (Millions) -----	+2.0
297,650	292,200	Total Non-Agricultural Employment -----	+1.9
113.2	112.5	Retail Food Price Index -----	+0.6
\$954.5	\$949.3	Total Deposits (Millions)* -----	+0.5
40.8	40.7	Average Weekly Hours, Factory Workers -----	+0.2
N. A.	N. A.	Department Store Stocks -----	-4.0
N. A.	N. A.	Department Store Sales (Based on dollar amounts) ----	-7.0
762	832	Number Building Permits City of Atlanta -----	-8.4
\$2,997,405	\$3,279,511	Postal Savings to Credit of Depositors at End of Period** -----	-8.6
6,829	9,748	Number Help Wanted Ads -----	-29.9
\$3,417,465	\$5,708,105	Value Building Permits City of Atlanta -----	-40.1

*Last Wednesday in January each year.
 **January 31 of each year.
 N.A.—Not Available
 Source same as Page 4.

lesser agencies such as express and private car companies.

There are, in general, three types of taxes to which transportation facilities and services are subject. First, there is the property tax which, by comparison, rests far more heavily upon the railways and the pipelines than upon other forms of transportation because those two types not only own the equipment used in their operations, but they own also the way upon which they operate. The property tax, however, rests in a measure upon all other forms of transportation because equipment used upon the highways, in the air, and upon the water is subject to taxation.

The second major form of taxation to which transportation operations are subject is the tax upon income—in two forms, the corporate income tax and the excess profits tax. Those two taxes rest with equal weight upon all forms of transportation, so there is no possibility of discrimination there: if income is heavy, the tax burden is correspondingly heavy; if income is small, the tax burden is light. The third major form of taxation which places a burden upon transportation, is that charge which is imposed upon the users of commercial transportation, the 3% tax upon all freight bills and the 15% tax upon all passenger charges. There is also a 4% tax upon the pipelines. These burdens are, in the aggregate, considerable and in certain areas give strong incentive to seek escape from the burden through substitution of private transportation for transportation for hire.

No mention has been made of the so-called gasoline tax as levied by the states because it is not, in any real sense, a tax; rather, it is a users charge. There is imposed a Federal excise tax upon all those who use gasoline, who use diesel oil for operation on the highways, or lubricating oil, and even users of LP gases upon the highways. These excise taxes are imposed upon the various fuels and lubricating oils for the same reason, however, that they are imposed upon furs, cosmetics, liquors, and tobaccos: to add monies to the general Federal Treasury. So, while a gasoline tax or a registration charge upon a motor vehicle is in no real sense a tax, the excise tax must be so considered, unless the principle of "linkage" is accepted: then it, too, would become merely a user charge.

In the regulation of transportation the problem of equality before the law of the various forms of transportation has been raised many times. The statement of National Transportation Policy which was inserted in the Interstate Commerce Act in 1940 is a splendid presentation of sound governmental attitude toward transportation, although it is debatable that the government has effectuated this statement of National Transportation Policy as it might—and should! The statement of policy is as follows:

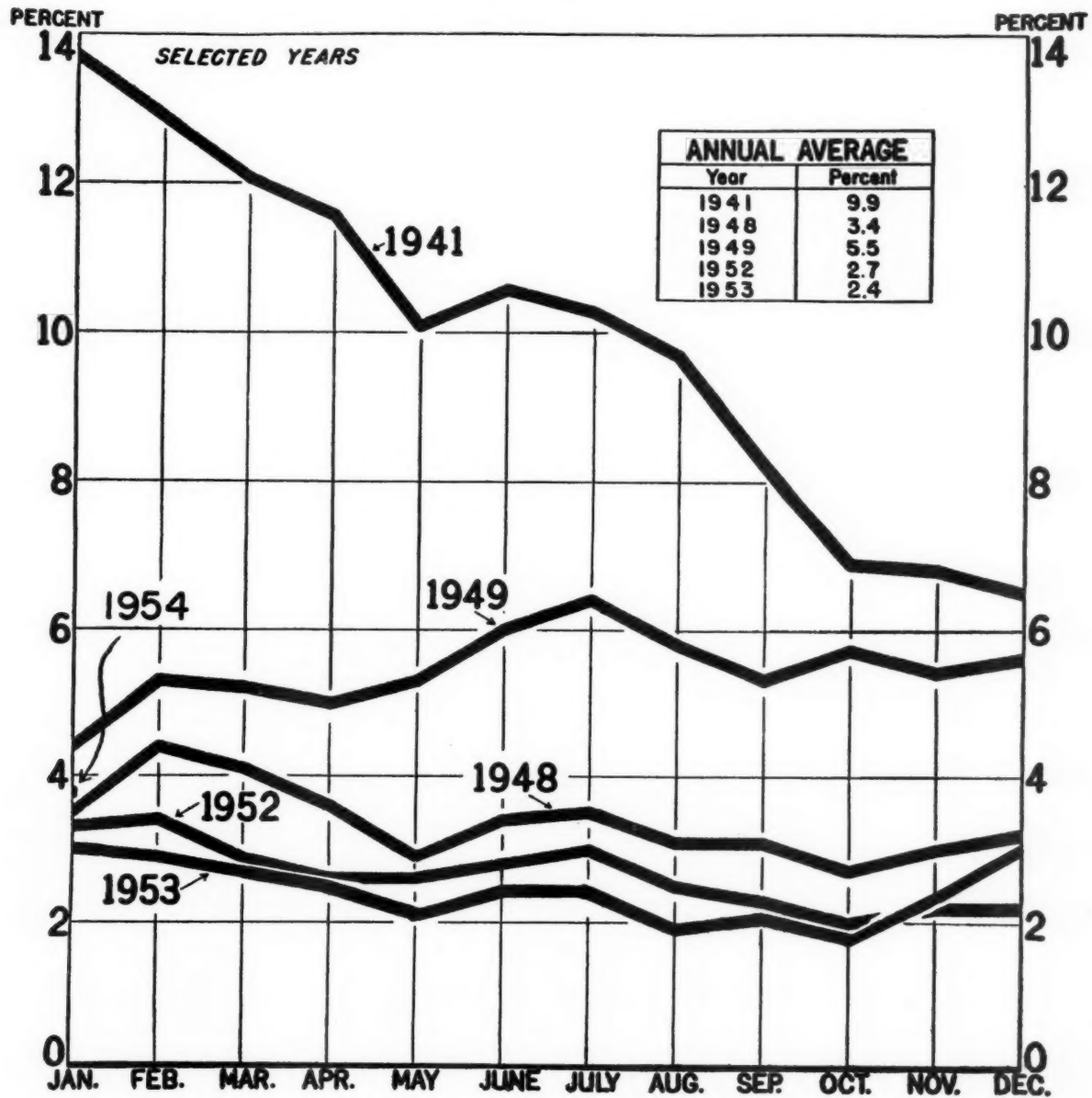
"It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several States and the duly authorized officials thereof; and to encourage fair wages and equitable working conditions:—all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense. All provisions of this Act shall be administered and enforced with a view of carrying out the above declaration of policy."

This is a splendid statement of governmental policy. It is doubtful, however, that the Interstate Commerce Commission, in its administration of the Interstate Commerce Act has consistently given major weight to it.

Relative to the promotional activities of the Federal government, there are today two basic justifications for such activities: (1) the promotion of commerce and, (2) the national defense. The Federal government has given extensive aid in a variety of forms to all types of modern transportation except one. Justification for those aids—indeed, for continuing those aids—may be rested upon either of the two grounds just named—the needs of the commerce of the United States or the national defense. To what extent do the needs of commerce require the continuation of heavy Federal appropriations for highway aid, require the continuance of Federal appropriations to extend the navigable waters of the United States, require the extension of further Federal aids to domestic air transportation? These are questions that each individual must answer for himself, and that the Congress must answer for us all.

The same question arises with regard to national defense. It might well be that our decision would be adverse to further Federal aid to a particular form of transportation or to a particular service, from the standpoint of the needs of commerce. It is entirely possible, however, that national defense might justify continued aid in that particular area. The railway industry has not had in recent years, and is not now receiving, Federal aid. From time to time a railway will urge abandonment of a particular line, but some asked that the railways proceed cautiously in this matter of abandonment because of

UNEMPLOYMENT AS A PERCENT OF THE LABOR FORCE



UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

SOURCE: U.S. DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS
and CENSUS BUREAU

the fact that the national defense needs of the United States might suffer as the consequence of the abandonment of particular lines. It may well be that, judged upon the basis of its worth as a business undertaking, a particular railway line is not needed, yet is needed from the standpoint of national defense. In such case, it seems clear that the support of that particular rail line should be chargeable, not to the shippers who use other portions of that railway property or to the owners but, rather, should constitute a charge against the national defense budget. Thus an industry, which today receives Federal Aid in no form, would in exceptional instances receive an appropriate Federal contribution to the maintenance and operation of a particular line—and aid not to be excused, but one that is thoroughly justified.

The relationship of government to transportation, be it in the field of promotion, of regulation, even of taxation, should at an early date be reassessed, and such changes in policy made as facts in a changing world appear to justify. Those who, in this readjustment, lose advantage, be they individuals or groups, will perform no service to the public or, in the long run, to themselves by delaying or blocking such readjustments. Transportation in the United States has developed to a level equalled nowhere else in the world. This it has done under the spur of competition and under a system of pri-

vate ownership and operation. Competition we must keep, but that competition must be upon the basis of equity—promotional, regulatory, and fiscal.

The one form of transportation which suffers most from existing inequities is the railway, yet it is upon the railway, in time of peace or in time of war, that the American people must place prime reliance for an indefinite period. If, under the handicaps of existing inequities, private ownership and operation of railways fails, then of necessity the government must assume the responsibility for meeting public needs through the continued operation of the railways—and, with government ownership and operation of the railways, how long will present special advantages remain to other forms of transport? Or how long will there remain private ownership and operation in those fields?

No form of transportation has a vested interest. The Conestoga wagon did not, neither did the stage coach nor the early "canallers"; neither has the railroad, nor any other form of transportation today. But in public interest no form of transportation should fail, nor should private enterprise in that field fail, because of governmentally created inequities in the competitive situation. Let competition be fair, then let the chips fall where they will: through the years, public interest will in this manner be well served.

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